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**FISCAL IMPACT STATEMENT**

**LS 6207**

**BILL NUMBER:** SB 129

**NOTE PREPARED:** Feb 26, 2007

**BILL AMENDED:** Feb 15, 2007

**SUBJECT:** Public Safety Meet and Confer

**FIRST AUTHOR:** Sen. Young R Michael

**FIRST SPONSOR:** Rep. Tyler

**BILL STATUS:** As Passed Senate

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill requires a unit with a population of 9,000 or more to meet and confer with the representative of the unit's full-time police or fire department employees concerning pay issues and conditions of employment. The bill specifies that an employee may not be required to become a member of or pay dues to an employee organization.

The bill specifies the procedure for an employer to terminate its duty to meet and confer. The bill provides that: (1) employees may not engage in a strike; and (2) a recognized representative that engages in or sanctions a strike loses the right to represent employees for at least ten years from the date of the action. The bill also provides that an agreement between an employer and an employee organization may not require a unit to engage in deficit financing.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) The bill could lead to additional local expenditures due to negotiated contract settlements that are over and above what might have been granted by the units without the requirement to meet and confer. There are about 204 cities, towns, and townships with a population more than 9,000.

The bill requires an employer is to meet and confer in good faith and at reasonable times to discuss issues

and proposals regarding wages, hours of employment, and other conditions and terms of employment with the employees' organization. An employer can elect to terminate its duty to meet and confer with an employee organization if after meeting with the employees' organization they are unable to reach a written agreement and at least 50% of the members of the legislative body vote to terminate the employer's duty to meet and confer. An employee organization that receives a termination notice must wait at least one year before they can exercise the meet and confer right.

*Background on the Collective Bargaining Effect:* With respect to the potential costs of collective bargaining, various studies have been conducted in recent years attempting to estimate the effect of collective bargaining on wage, salary, and benefit levels of public employees. Most studies conclude that public sector collective bargaining differs in at least two ways from collective bargaining in the private sector:

- (1) Public sector unions have a greater influence than private sector unions on employer behavior because of their ability to work within the political process. Unions, through their lobbying efforts, can influence public sector budgets and, thus, the demand for public sector employees in addition to the level of compensation (Zax and Ichniowski, 1988).
- (2) Public sector union wage effects can differ significantly over time and are generally smaller than those in the private sector but are far from negligible (Lewis, 1990).

Wage effects are usually measured through cross-sectional statistical studies where general wage levels of government employees without collective bargaining are statistically compared to collectively bargained wage levels. By controlling for other economic variables which might influence wage levels, researchers are able to arrive at an estimate of the wage differential which is attributable to collective bargaining. After the introduction of collective bargaining, these wage level differentials would not be expected to occur immediately. Rather, the differentials would accumulate from annual contract settlements which are a little higher than what would otherwise occur without collective bargaining. Thus, over time, these small percentage wage and salary improvements due to collective bargaining accumulate into a differential which, once built into the payroll base, is paid annually.

For example, if the annual average wage settlement obtained after the introduction of collective bargaining was 4.5% and the annual wage increase that would have been obtained by employees without collective bargaining was 3.5%, then the difference would be equal to 1% of the payroll level. Over time, a series of contract settlements, over and above what would have occurred without collective bargaining, can be expected to result in an accumulated wage and salary differential.

Comprehensive literature reviews by Freeman (1986) and Lewis (1988) tend to confirm the appropriateness of these moderate, but non-negligible, collective bargaining effects on union/non-union wage differentials for all government employees in the public sector. These studies also report the effect of collective bargaining on fringe benefits to be at least as great or greater than on wage levels. Likewise, studies by Ichniowski (1980), Edwards and Edwards (1982), and Zax (1988) suggest that collective bargaining has a considerably larger impact on fringe benefit levels than on wage levels. Lewis (1990), in a survey of 75 studies which estimated union/non-union wage and benefit differentials for various levels of government and employee groups, concluded that the average differential in total compensation (wages + fringe benefits) was 8% to 12% for the public sector. [Although the majority of statistical studies involve local governments, studies involving federal and state governments indicate that the average wage differential for the federal government employees was less than for all governmental bodies, and that the differential for local

governments was above the average for all levels of government. Lewis (1990) indicated that it was not unreasonable to conclude that the wage differential at the local government level was 10% to 15%, about as great as that for all U.S. wage and salary workers.] However, the effect of a meet and confer requirement with no binding arbitration is unknown.

Not considered here, but potentially very significant, are collectively bargained conditions of employment which are not included in the estimated wage and fringe benefit increases described above.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Cities, towns, and townships with population over 9,000 and a police or fire department.

**Information Sources:**

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